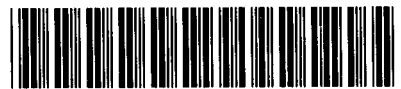


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AZ CORP COMMISSION
DOCKET CONTROL

February 21, 2008

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Re: Transwestern Project Status Report
Docket No. G-04204A-06-0627 – Decision No. 69333

Docket Control:

Enclosed please find the UNS Gas, Inc. ("UNS Gas") status report on the Transwestern project and UNS Gas' participation in the project, pursuant to Decision No. 69333 (02-20-07). UNS Gas is required to file a status report with the Commission every six (6) months until either UNS Gas begins taking service from Transwestern or UNS Gas' participation in the project is terminated.

Please do not hesitate to contact me at (520) 884-3752 if you have any questions concerning the provided status report.

Respectfully Submitted,

Jessica Bryne
Regulatory Services

Cc: Bob Gray, ACC
Compliance, ACC

Arizona Corporation Commission
DOCKETED
FEB 21 2008

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UNS Gas, Inc.
PreApproval of Cost Recovery for Acquisition of Pipeline Capacity
On the Transwestern Phoenix Expansion Project
February 2008 Status Report

Pursuant to Decision No. 69333, in Docket No. G-04204A-06-0627, UNS Gas, Inc. ("UNS") hereby submits its second status report of activities on Transwestern Pipeline's ("Transwestern") Phoenix Lateral Project ("Project") from the date of the Decision through the end of December 2007.

A. Progress made achieving project milestones

- i. FERC issued and Transwestern accepted its Certificate of Public Convenience and Necessity in Docket No. CP06-459.
- ii. The Notice to exercise the capacity option on the East Valley Lateral was sent to EPNG on 12-14-07.
- iii. 99% of pipe necessary for the San Juan Loop stitches is in storage in New Mexico and ~ 30% of pipe necessary for the Phoenix Lateral is in storage in Arizona.
- iv. Project Implementation Plan was filed with the FERC on November 14, 2007.
- v. FTS-5 Agreements (including Operator Balancing Agreements) were sent out to the shippers on 12/21 and are required to be signed and executed no later than January 8. The tendered agreements fill in the rate provision.

B. Schedule and Budget

- i. The in-service date for the Phoenix Lateral from Ash Fork to approximately the Palo Verde Power plant sites (~MP #164) is anticipated to be July, 2008. The remaining segment to the terminus is anticipated to be in-service October, 2008.
- ii. Budget is on-target as reported in previous Quarterly Reports.

C. Future milestones and schedule for meeting these milestones

- i. Finalization of the collocation agreements with SRP and APS.
- ii. Finalization of the collocation agreement with EPNG on ROW.
- iii. Continue working with Maricopa County Flood Control District to define their requirements for crossing areas under their jurisdiction and finalize permit.
- iv. Continue to work with local agencies on approval of remaining outstanding non-environmental permits, ADOT and various municipalities.
- v. Completion of pertinent documents related to the East Valley Lateral (Pipeline O&M Agreement and COFA's).
- vi. AZ State Lands expected to finalize the Yavapai, Maricopa, and Pinal County ROW applications by year end.
- vii. Estimated start date of construction is 1st half of January, 2008.